

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7124

BILL NUMBER: HB 1762

NOTE PREPARED: Jan 4, 2003

BILL AMENDED:

SUBJECT: Mileage-Based Gasoline Tax.

FIRST AUTHOR: Rep. Espich

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill replaces the per gallon tax on the use of gasoline with a one cent per mile tax, effective January 1, 2004. It provides for the annual conversion of the per mile tax to a per gallon rate based on a formula involving the annual motor vehicle miles of travel for Indiana and the annual total certified taxable gallons of motor fuel. The bill provides for an annual adjustment to the per gallon conversion rate for inflation. It provides that the per gallon conversion rate may not be reduced below 18 cents per gallon in 2004 or, after 2004, below the conversion rate of the previous year.

Effective Date: July 1, 2003; January 1, 2004.

Explanation of State Expenditures: For the Department of State Revenue there will be costs incurred associated with the change from a per gallon tax to a cents per mile tax. The fund affected is the state General Fund. [Note: The specific impact of this part of the proposal is not known at this time, but will be updated upon receipt of data from the Department of State Revenue.]

Explanation of State Revenues: *Summary:* This proposal will result in an increase in gasoline tax revenue estimated at \$6.62 M in FY 2004, \$25.16 M in FY 2005, and \$49.32 M in FY 2006. The funds affected by the increased revenue are the Motor Vehicle Highway Account (MVHA), the Fish and Wildlife Fund, the State Highway Road Construction and Improvement Fund (SHRCIF), State Highway Fund, and the Highway, Road, and Street Account (HRSF).

This proposal will result in an increase of revenue transferred to the SHRCIF by an estimated \$720,000 in FY 2004, \$2.66 M in FY 2005, and \$5.05 M in FY 2006. Below is a table which shows the estimated increase accruing to each of the various affected funds.

Distribution of Gasoline Tax	FY 2004	FY 2005	FY 2006
Total Estimated Additional Revenue	\$6.62 M	\$25.16 M	\$49.32 M
State Highway Road Constn Improv Fund (SHRCIF)	\$0.72 M	\$2.66 M	\$5.05 M
State Highway Fund	\$0.36 M	\$1.33 M	\$2.53 M
Local Share MVHA (cities, towns, and counties dist.)	\$0.36 M	\$1.33 M	\$2.53 M
Highway, Road, and Street Fund (HRSF)	\$1.66 M	\$6.29 M	\$12.33 M
INDOT Share of HRSF	\$0.91 M	\$3.46 M	\$6.78 M
Local Share of HRSF	\$0.75 M	\$2.83 M	\$5.55 M
Subtotal	\$3.10 M	\$11.61 M	\$22.43 M
Balance to MVHA	\$3.52 M	\$13.55 M	\$26.89 M
INDOT Share of MVHA Balance (53%)	\$1.87 M	\$7.18 M	\$14.25 M
Local Share of MVHA Balance (47%)	\$1.65 M	\$6.37 M	\$12.64 M

The entities affected by this proposal include: Department of Transportation, Bureau of Motor Vehicles, State Police (all of whom receive distributions from the Motor Vehicle Highway Account), Department of Natural Resources, and local units who receive distributions from the Motor Vehicle Highway Account and the Local Road and Street Account. This includes cities, towns, and counties. In addition, the Department of Transportation receives a distribution from the Highway, Road, and Street Account.

Background: This proposal attempts to capture the gasoline taxes lost because of more fuel-efficient vehicles. The formula for the calculation of the tax involves the Indiana vehicle miles traveled and the gallons of gasoline taxed. This proposal replaces the per gallon of gasoline purchased standard of taxation with a cents per mile traveled standard while providing a methodology of converting the cents per mile standard to a per gallon rate. In this manner, existing reporting and collection systems may continue to be utilized until a new system for reporting and collecting a per mile tax can be developed.

The table below shows the estimated impact of this proposal.

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
VMT: motor vehicle miles of travel, FHA		71,624,000,000			
Taxable Gallons of motor fuel, DOR		4,269,766,833			
AMPG: avg miles per gallon (ann. Change:)	1%	16.77468649	16.94243	17.11186	17.28298
Cents per mile		0.01	0.01	0.01	0.01
Tax: Cents per mile x AMPG (round to 3 digits)		0.168	0.169	0.171	0.173
CPI, 2001, calendar year	177.1				
CPI, current year (projected at:)	2.50%	181.5275	186.0657	190.7173	195.4853
Percent Change, rounded, +1		1.025	1.051	1.077	1.104
Tax, adjusted for CPI, 18 cent minimum		0.180	0.180	0.184	0.191
Change from current rate	0.18	0	0	0.004	0.011
DOR, revenue per penny, millions		31.2	32.6	33.1	33.7
Revenue impact, millions		\$0.00	\$0.00	\$13.24	\$37.07
Half year revenue impact		\$0.00	\$0.00	\$6.62	\$18.54

Explanation of Local Expenditures:

Explanation of Local Revenues: Local units will receive additional funds through distributions from the Motor Vehicle Highway Account and the Local Road and Street Account.

State Agencies Affected: Indiana Department of Transportation; Bureau of Motor Vehicles; State Police; Department of Natural Resources.

Local Agencies Affected: Those units which receive distributions from the Motor Vehicle Highway Account and the Local Road and Street Account.

Information Sources: Larry DeBoer, 232-9844; Federal Highway Administration data; Department of Revenue data; and data from the Department of Transportation.

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